

CITY OF NESS CITY, KANSAS
Ness City, Kansas

Financial Statements with Independent Auditors' Report

For the Year Ended December 31, 2007

CITY OF NESS CITY, KANSAS
Financial Statements with Independent Auditors' Report
For the Year Ended December 31, 2007

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council Members
City of Ness City, Kansas
Ness City, Kansas 67560

We have audited the accompanying financial statements of the **City of Ness City, Kansas**, as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the **City of Ness City, Kansas'** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the **City of Ness City, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the **City of Ness City, Kansas**, as of December 31, 2007, or changes in financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the **City of Ness City, Kansas**, as of December 31, 2007, their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of accounting described in Note 1.

Adam Brown Beran & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

August 4, 2008

CITY OF NESS CITY, KANSAS
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2007

Fund	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Funds							
General Fund	\$ 324,748	-	508,956	581,231	252,473	-	252,473
Special Revenue Funds							
Special Highway	5,426	-	38,621	36,551	7,496	-	7,496
Special Parks & Recreation	4,456	-	1,110	1,781	3,785	-	3,785
Industrial Development	49,349	-	669	-	50,018	-	50,018
Library	-	-	44,139	43,537	602	-	602
Library Employee Benefit	-	-	25,470	25,179	291	-	291
Capital Improvements	49,262	-	60,000	37,081	72,181	-	72,181
Equipment Reserve	43,723	-	36,564	12,555	67,732	-	67,732
Debt Service Fund	-	-	-	409	-	-	-
Bond and Interest	-	-	-	-	-	-	-
Capital Projects Fund	93,812	-	94,331	36,201	151,942	-	151,942
Airport Improvements	1,762	-	992,299	994,061	-	-	-
Water Improvement Project	-	-	-	-	-	-	-
Proprietary Fund							
Enterprise Funds							
Water Utility	707,989	-	387,145	338,915	756,219	-	756,219
Sewer Utility	122,400	-	116,547	64,993	173,954	-	173,954
Solid Waste Disposal	40,791	-	93,049	88,606	45,234	-	45,234
Total Primary Government	1,443,718	-	2,399,309	2,261,100	1,581,927	-	1,581,927
Component Unit							
Ness City Public Library	40,433	-	89,933	89,330	41,036	-	41,036
Total Reporting Entity	\$ 1,484,151	-	2,489,242	2,350,430	1,622,963	-	1,622,963
Composition of Cash:							
Checking Accounts							
First State Bank	\$						\$ 639,771
Savings Accounts							
First State Bank							756
Certificates of Deposit							
First State Bank							941,400
Total Primary Government							1,581,927
Total Component Unit							41,036
Total Reporting Entity	\$						1,622,963

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2007

Fund	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
Governmental Funds					
General Fund	\$ 619,950	-	619,950	581,231	38,719
Special Revenue Funds					
Special Highway	38,513	-	38,513	36,551	1,962
Special Parks & Recreation	8,348	-	8,348	1,781	6,567
Industrial Development	48,056	-	48,056	-	48,056
Library	43,537	-	43,537	43,537	-
Library Employee Benefit	25,179	-	25,179	25,179	-
Debt Service Fund	-	-	-	409	(409)
Bond and Interest	-	-	-	-	-
Proprietary Fund					
Enterprise Funds					
Water Utility	430,700	-	430,700	338,915	91,785
Sewer Utility	91,734	-	91,734	64,993	26,741
Solid Waste Disposal	91,000	-	91,000	88,606	2,394
Totals	\$ 1,397,017	-	1,397,017	1,181,202	215,815

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS

General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2007
 (With Comparative Totals for the Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem	\$ 102,005	130,177	131,631	(1,454)
Delinquent	1,491	2,653	-	2,653
Motor Vehicle	32,300	32,898	32,221	677
Intangible	19,286	21,141	20,047	1,094
Total Taxes	<u>155,082</u>	<u>186,869</u>	<u>183,899</u>	<u>2,970</u>
Intergovernmental				
Local City Sales Tax	188,877	183,456	157,500	25,956
Local Alcoholic Liquor Tax	1,025	1,110	1,193	(83)
Connecting Links	5,124	5,124	3,400	1,724
State Aid	1,376	-	-	-
Total Intergovernmental	<u>196,402</u>	<u>189,690</u>	<u>162,093</u>	<u>27,597</u>
Licenses and Permits				
Franchise Fees	116,325	79,304	70,000	9,304
Licenses and Permits	2,801	2,132	2,000	132
Total Licenses and Permits	<u>119,126</u>	<u>81,436</u>	<u>72,000</u>	<u>9,436</u>
Fines and Forfeitures				
Fines	<u>9,621</u>	<u>15,116</u>	<u>4,000</u>	<u>11,116</u>
Use of Money and Property				
Interest	<u>15,636</u>	<u>24,007</u>	<u>13,250</u>	<u>10,757</u>
Miscellaneous				
Swimming Pool	4,007	3,983	5,000	(1,017)
Recycling Revenue	5,142	7,237	1,000	6,237
Library Operating Reimbursement	2,500	-	-	-
Other	-	209	-	209
Total Miscellaneous	<u>11,649</u>	<u>11,429</u>	<u>6,000</u>	<u>5,429</u>
Transfers In	<u>11,360</u>	<u>409</u>	<u>-</u>	<u>409</u>
Total Cash Receipts	<u>\$ 518,876</u>	<u>508,956</u>	<u>441,242</u>	<u>67,714</u>

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Expenditures				
General and Administrative				
Personal Services	\$ 37,306	38,938	50,500	11,562
Contractual	29,407	22,561	36,500	13,939
Commodities	10,011	14,741	8,000	(6,741)
Capital Outlay	895	1,538	6,000	4,462
Christmas Light Funding	503	-	500	500
Total General and Administrative	<u>78,122</u>	<u>77,778</u>	<u>101,500</u>	<u>23,722</u>
Police Department				
Contractual	125,093	128,021	125,000	(3,021)
Street Department				
Personal Services	18,186	32,080	34,000	1,920
Contractual	6,118	6,250	13,000	6,750
Commodities	58,594	78,312	25,000	(53,312)
Capital Outlay	1,100	2,285	42,000	39,715
Total Street Department	<u>83,998</u>	<u>118,927</u>	<u>114,000</u>	<u>(4,927)</u>
Employee Benefits				
Contractual	-	-	2,000	2,000
Health Insurance	26,606	31,783	31,200	(583)
Social Security	7,219	8,058	10,800	2,742
Workman's Compensation	5,156	4,009	7,000	2,991
KPERs	2,692	3,976	3,500	(476)
Unemployment	225	225	250	25
Total Employee Benefits	<u>41,898</u>	<u>48,051</u>	<u>54,750</u>	<u>6,699</u>
Fire Department				
Personal Services	1,800	2,430	2,100	(330)
Contractual	3,966	906	7,500	6,594
Capital Outlay	4,798	335	1,500	1,165
Total Fire Department	<u>10,564</u>	<u>3,671</u>	<u>11,100</u>	<u>7,429</u>
Street Lighting				
Contractual	29,975	29,404	32,000	2,596
Total Expenditures Carried Forward	<u>\$ 369,650</u>	<u>405,852</u>	<u>438,350</u>	<u>32,498</u>

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Total Expenditures Brought Forward	\$ 369,650	405,852	438,350	32,498
Swimming Pool				
Personal Services	13,901	17,889	20,000	2,111
Contractual	2,926	3,509	5,000	1,491
Commodities	3,066	6,833	5,000	(1,833)
Capital Outlay	1,895	509	-	(509)
Total Swimming Pool	21,788	28,740	30,000	1,260
Noxious Weeds				
Contractual	360	252	500	248
Commodities	1,232	3,362	2,500	(862)
Total Noxious Weeds	1,592	3,614	3,000	(614)
Park Improvement				
Personal Services	5,437	4,200	6,000	1,800
Contractual	1,217	1,259	2,000	741
Commodities	3,863	5,587	5,000	(587)
Capital Outlay	-	-	2,000	2,000
Total Park Improvement	10,517	11,046	15,000	3,954
Recycling				
Personal Services	7,399	5,162	10,700	5,538
Contractual	3,948	4,388	1,000	(3,388)
Commodities	2,548	2,829	1,300	(1,529)
Capital Outlay	-	-	1,000	1,000
Total Recycling	13,895	12,379	14,000	1,621
Appropriations				
Airport	3,000	3,000	24,100	21,100
Transfers Out	107,450	116,600	95,500	(21,100)
Total Expenditures	527,892	581,231	619,950	38,719
Receipts Over (Under) Expenditures	(9,016)	(72,275)		
Unencumbered Cash, January 1	333,764	324,748		
Unencumbered Cash, December 31	\$ 324,748	252,473		

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS

Special Highway Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2007

(With Comparative Totals for the Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Intergovernmental				
State Gasoline Tax	\$ 38,766	38,621	40,550	(1,929)
Expenditures				
Personal Services	14,549	8,789	20,000	11,211
Contractual	13,643	24,651	-	(24,651)
Commodities	48,258	3,111	18,513	15,402
Health Insurance	896	-	-	-
Total Expenditures	77,346	36,551	38,513	1,962
Receipts Over (Under) Expenditures	(38,580)	2,070		
Unencumbered Cash, January 1	44,006	5,426		
Unencumbered Cash, December 31	\$ 5,426	7,496		

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Special Parks and Recreation Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Intergovernmental				
Local Alcoholic Liquor Tax	\$ 1,025	1,110	1,193	(83)
Reimbursements	35,660	-	-	-
Total Cash Receipts	36,685	1,110	1,193	(83)
Expenditures				
Culture and Recreation	40,660	1,781	8,348	6,567
Total Expenditures	40,660	1,781	8,348	6,567
Receipts Over (Under) Expenditures	(3,975)	(671)		
Unencumbered Cash, January 1	8,431	4,456		
Unencumbered Cash, December 31	\$ 4,456	3,785		

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Industrial Development Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2007
 (With Comparative Totals for the Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem	\$ 496	497	500	(3)
Delinquent	7	12	-	12
Motor Vehicle	154	160	157	3
Interest	1,458	-	-	-
Total Cash Receipts	2,115	669	657	12
Expenditures				
Industrial Development	-	-	48,056	48,056
Receipts Over (Under) Expenditures	2,115	669		
Unencumbered Cash, January 1	47,234	49,349		
Unencumbered Cash, December 31	\$ 49,349	50,018		

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Library Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2007
 (With Comparative Totals for the Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem	\$ 33,063	32,727	33,094	(367)
Delinquent	392	753	-	753
Motor Vehicle	10,432	10,659	10,443	216
Miscellaneous	-	-	-	-
Total Cash Receipts	43,887	44,139	43,537	602
Expenditures				
Appropriations	43,887	43,537	43,537	-
Receipts Over (Under) Expenditures	-	602		
Unencumbered Cash, January 1	-	-		
Unencumbered Cash, December 31	\$ -	602		

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Library Employee Benefit Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem	\$ 18,962	18,977	19,190	(213)
Delinquent	209	413	-	413
Motor Vehicle	5,394	6,080	5,989	91
Total Cash Receipts	24,565	25,470	25,179	291
Expenditures				
Appropriations	-	25,179	-	(25,179)
Social Security	2,711	-	3,266	3,266
Unemployment Taxes	81	-	150	150
Health & Workman's Comp Insurance	20,112	-	19,992	19,992
KPERs	1,661	-	1,771	1,771
Total Expenditures	24,565	25,179	25,179	-
Receipts Over (Under) Expenditures	-	291		
Unencumbered Cash, January 1	-	-		
Unencumbered Cash, December 31	\$ -	291		

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Capital Improvements Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2007
 (With Comparative Totals for the Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
State Aid	\$ 28,827	-
Transfers In	60,000	60,000
Total Cash Receipts	88,827	60,000
Expenditures		
Capital Outlay	56,503	37,081
Receipts Over (Under) Expenditures	32,324	22,919
Unencumbered Cash, January 1	16,938	49,262
Unencumbered Cash, December 31	\$ 49,262	72,181

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Equipment Reserve Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2007
 (With Comparative Totals for the Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest	\$ 877	1,064
Reimbursements	61,222	-
Transfers In	30,000	35,500
Total Cash Receipts	92,099	36,564
Expenditures		
Capital Outlay	103,335	12,555
Receipts Over (Under) Expenditures	(11,236)	24,009
Unencumbered Cash, January 1	54,959	43,723
Unencumbered Cash, December 31	\$ 43,723	67,732

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Bond and Interest Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem	\$ 142	1	-	1
Delinquent	688	278	-	278
Special Assessment	-	-	-	-
Motor Vehicle	2,532	130	-	130
Total Cash Receipts	<u>3,362</u>	<u>409</u>	<u>-</u>	<u>409</u>
Expenditures				
Principal	-	-	-	-
Interest	-	-	-	-
Commission Fees	-	-	-	-
Transfers Out	11,360	409	-	(409)
Total Expenditures	<u>11,360</u>	<u>409</u>	<u>-</u>	<u>(409)</u>
Receipts Over (Under) Expenditures	(7,998)	-		
Unencumbered Cash, January 1	<u>7,998</u>	<u>-</u>		
Unencumbered Cash, December 31	<u>\$ -</u>	<u>-</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Airport Improvements Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2007
 (With Comparative Totals for the Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources	\$ 88	-
Ness County Appropriations	30,000	35,123
Federal Aid	36,051	34,390
Interest	584	3,718
Transfers In	17,450	21,100
Total Cash Receipts	84,173	94,331
Expenditures		
Capital Outlay	37,950	36,201
Receipts Over (Under) Expenditures	46,223	58,130
Unencumbered Cash, January 1	47,589	93,812
Unencumbered Cash, December 31	\$ 93,812	151,942

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Water Improvement Project Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2007
 (With Comparative Totals for the Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Aid	\$ 117,100	180,666
Revolving Loan Proceeds	245,928	786,119
Transfers In	13,426	25,514
Total Cash Receipts	<u>376,454</u>	<u>992,299</u>
Expenditures		
Capital Outlay	<u>377,028</u>	<u>994,061</u>
Receipts Over (Under) Expenditures	(574)	(1,762)
Unencumbered Cash, January 1	<u>2,336</u>	<u>1,762</u>
Unencumbered Cash, December 31	<u>\$ 1,762</u>	<u>-</u>

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS

Water Utility Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2007

(With Comparative Totals for the Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Water Sales	\$ 389,884	363,070	351,500	11,570
State Aid	35,899	-	-	-
Interest	14,302	22,094	6,000	16,094
Late Charges	2,102	1,981	-	1,981
Total Cash Receipts	<u>442,187</u>	<u>387,145</u>	<u>357,500</u>	<u>29,645</u>
Expenditures				
Production				
Personal Services	45,421	39,291	70,000	30,709
Contractual	23,619	30,597	35,000	4,403
Commodities	17,513	11,124	25,000	13,876
Easements	-	-	2,000	2,000
Capital Outlay	5,606	6,381	1,000	(5,381)
Total Production	<u>92,159</u>	<u>87,393</u>	<u>133,000</u>	<u>45,607</u>
Transmission and Distribution				
Contractual Services	48	1,067	4,000	2,933
Commodities	13,380	18,868	30,000	11,132
Capital Outlay	35,899	29,004	150,000	120,996
Total Transmission and Distribution	<u>49,327</u>	<u>48,939</u>	<u>184,000</u>	<u>135,061</u>
Commercial and General				
Personal Services	33,830	32,386	40,000	7,614
Contractual	15,678	20,260	25,000	4,740
Commodities	1,501	2,117	3,000	883
Capital Outlay	11,111	100	5,000	4,900
Total Commercial and General	<u>62,120</u>	<u>54,863</u>	<u>73,000</u>	<u>18,137</u>
Total Expenditures Carried Forward	<u>\$ 203,606</u>	<u>191,195</u>	<u>390,000</u>	<u>198,805</u>

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS

Water Utility Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2007

(With Comparative Totals for the Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Total Expenditures Brought Forward	\$ 203,606	191,195	390,000	198,805
Employee Benefits				
Health Insurance	26,027	24,125	22,000	(2,125)
Social Security	5,838	5,321	6,500	1,179
Workmen's Compensation	973	73	2,200	2,127
KPERS	3,110	3,626	3,500	(126)
Total Employee Benefits	35,948	33,145	34,200	1,055
Non - Operating Expenses				
Sales Tax	4,234	3,769	6,000	2,231
Debt Service	112,475	81,592	-	(81,592)
Miscellaneous	4,243	3,700	500	(3,200)
Transfers Out	13,426	25,514	-	(25,514)
Total Non - Operating Expenses	134,378	114,575	6,500	(108,075)
Total Expenditures	373,932	338,915	430,700	91,785
Receipts Over (Under) Expenditures	68,255	48,230		
Unencumbered Cash, January 1	639,734	707,989		
Unencumbered Cash, December 31	\$ 707,989	756,219		

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Sewer Utility Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2007
 (With Comparative Totals for the Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Sewer Service Charges	\$ 87,184	86,635	55,000	31,635
Interest	2,159	3,283	-	3,283
Commercial Utility	27,521	26,629	-	26,629
Total Cash Receipts	<u>116,864</u>	<u>116,547</u>	<u>55,000</u>	<u>61,547</u>
Expenditures				
Collection Maintenance				
Personal Services	22,300	17,675	32,000	14,325
Contractual	8,284	7,076	5,000	(2,076)
Commodities	12,422	15,284	5,000	(10,284)
Capital Outlay	5,983	-	15,000	15,000
Employee Benefits	6,693	6,221	9,000	2,779
Total Collection Maintenance	<u>55,682</u>	<u>46,256</u>	<u>66,000</u>	<u>19,744</u>
Treatment				
Contractual	-	46	10,000	9,954
Commodities	4,370	5,712	2,000	(3,712)
Capital Outlay	-	7,400	9,065	1,665
Total Treatment	<u>4,370</u>	<u>13,158</u>	<u>21,065</u>	<u>7,907</u>
General and Administrative				
Contractual	5,894	4,615	4,169	(446)
Commodities	767	964	-	(964)
Capital Outlay	3,550	-	500	500
Total General and Administrative	<u>10,211</u>	<u>5,579</u>	<u>4,669</u>	<u>(910)</u>
Total Expenditures	<u>70,263</u>	<u>64,993</u>	<u>91,734</u>	<u>26,741</u>
Receipts Over (Under) Expenditures	46,601	51,554		
Unencumbered Cash, January 1	<u>75,799</u>	<u>122,400</u>		
Unencumbered Cash, December 31	<u>\$ 122,400</u>	<u>173,954</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Solid Waste Disposal Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
User Fees	\$ 93,361	93,049	89,000	4,049
Expenditures				
Contractual	88,224	88,164	85,000	(3,164)
Commodities	-	442	4,000	3,558
Capital Outlay	135	-	2,000	2,000
Total Expenditures	88,359	88,606	91,000	2,394
Receipts Over (Under) Expenditures	5,002	4,443		
Unencumbered Cash, January 1	35,789	40,791		
Unencumbered Cash, December 31	\$ 40,791	45,234		

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2007

1. Summary of Significant Accounting Policies

The **City of Ness City, Kansas** has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the statutory basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies:

A. Financial Reporting Entity

The **City of Ness City, Kansas**, was incorporated in 1878, under the provisions of the State of Kansas. The governing body consists of an elected mayor and five elected council members. The City provides the following services: public safety (police and fire), streets, culture and recreation, public improvements, sanitation, water and electric utilities and general administrative services. Other services include support for library services and tourism.

The City receives funding from local, state, and federal governmental sources and must comply with the requirements of these funding sources.

The **City of Ness City, Kansas** is the primary government as defined in GASB #14 and further amended by GASB #39. The City Council is elected by the public. The Council has the authority to make decisions, levy taxes, influence operations and has the primary accountability in fiscal matters.

The following is a component unit of the **City of Ness City, Kansas**. The City exercises significant influence or accountability based primarily on operational or financial relationships with the City (as distinct from legal relationships).

Ness City Public Library

The Ness City Public Library is organized under Kansas Statutes for the purpose of operating a public library for the benefit of the **City of Ness City**. The Board's members are appointed by the City Council. The City substantially funds the Board's operations by levying tax dollars for the Library. The Board does not issue audited financial statements. Contact the City Clerk for information on how to obtain this financial information.

B. Basis of Presentation – Fund Accounting

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the **City of Ness City, Kansas** for the year ended December 31, 2007:

Governmental Funds

General Fund – reports as the primary fund of the City. The fund is used to account for all financial resources not reported in other funds.

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2007

B. Basis of Presentation – Fund Accounting (cont.)

Governmental Funds

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Funds - to account for the accumulation of resources for and the payment of interest and principal on general long-term debt and the financing of special assessments which are general obligations of the City.

Capital Project Funds - to account for financial resources segregated for the acquisition of major capital facilities (other than those financed by Enterprise Funds).

Proprietary Fund

Enterprise Funds - to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the statutory basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

D. Departure from Generally Accepted Accounting Principles in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the year in accordance with generally accepted accounting principles. General capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2007

E. Accounting for Capital Assets and Depreciation

The City does not maintain a record of capital assets used in performance of general government operations and the proprietary funds as required by generally accepted accounting principles.

F. Accounting for Long-Term Liabilities

The accounting and reporting treatment applied to the long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and fiduciary funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Long-term liabilities expected to be financed from governmental funds are not accounted for in the governmental funds.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

G. Budgets

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2007

G. Budgets (cont.)

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds and the following special revenue funds:

Capital Improvements and Equipment Reserve

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

H. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental funds.

I. Deposits and Investments

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the Summary of Cash Receipts, Cash Disbursements and Unencumbered Cash.

As of December 31, 2007, the City had no investments.

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City did not use "peak periods" during 2007. All deposits were legally secured at December 31, 2007.

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2007

I. Deposits and Investments (cont.)

At December 31, 2007, the City's carrying amount of deposits was \$1,581,927 and the bank balance was \$1,634,326. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$100,000 was covered by federal depository insurance and \$1,534,326 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

J. Capital Projects

At year end, capital project authorizations with approved change orders compared with expenditures from inception are as follows:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Project Expenditures</u>	<u>Unexpended Authorization</u>
Airport Improvements	\$ 2,735,481	159,847	2,575,634

K. Property Tax Calendar

Property taxes are collected and remitted to the City by the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half on May 10th. Major property tax payments are received January through July and are recognized as revenue in the year received.

L. Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase as required by state statutes.

M. Special Assessments

Projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Bond and Interest Fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the Bond and Interest Fund.

N. Compensated Absences

The City's policies regarding vacation time permit employees with up to ten years of service two weeks of vacation per year and those employees with more than ten years of service three weeks of vacation per year. Vacation pay is non-cumulative. Employees are permitted one day of sick leave per month. Sick leave is cumulative up to ninety total days. Both vacation and sick leave lapse upon termination of employment.

O. Defined Benefit Pension Plan

Plan Description - The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas Avenue, Suite 100; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2007

O. Defined Benefit Pension Plan (cont.)

Funding Policy - K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for calendar year 2007 is 5.31%. The City employer contributions to KPERS for the years ending December 31, 2007, 2006 and 2005 were \$9,767, \$8,514, and \$8,230, respectively, equal to the statutory required contributions for each year.

P. Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the City for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

2. Long Term Debt

The City has the following types of Long Term Debt:

Lease Obligations

The lease for the JCB Wheel Loader ended on May 15, 2007. No new leases have been entered into by the City to date.

Revolving Loan

The City entered into a \$1,150,000 revolving loan agreement on November 18, 2004 with the Kansas Department of Health and Environment acting on behalf of the State of Kansas to finance Public Water Supply System Project #2416. As of December 31, 2007, the City had issued \$1,101,803 of the total loan amount.

Changes in long-term liabilities for the City at December 31, 2007 and current maturities of long-term debt and interest for the next five years and in five year increments through maturity are included on the next two pages.

CITY OF NESS CITY, KANSAS
Schedule of Changes in Long Term Debt
For the Year Ended December 31, 2007

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Revolving Loan	3.31%	11/18/2004	\$ 1,150,000	2/1/2027	\$ 315,684	786,119	(66,289)	719,830	1,035,514	15,303
Capital Lease JCB Wheel Loader	4.75%	5/15/2002	69,735	5/15/2007	11,987	-	(11,987)	(11,987)	-	588
Total Long Term Debt			\$ 1,219,735		\$ 327,671	786,119	(78,276)	707,843	1,035,514	15,871

CITY OF NESS CITY, KANSAS
Schedule of Maturity of Long Term Debt
For the Year Ended December 31, 2007

Issue	Year								Totals
	2008	2009	2010	2011	2012	2013 - 2017	2018 - 2022	2023 - 2027	
Principal Revolving Loan	\$ 38,780	39,972	41,448	42,979	44,567	248,776	298,240	280,752	1,035,514
Interest Revolving Loan	37,310	36,118	34,642	33,111	31,523	131,675	82,211	23,609	410,199
Total Principal and Interest	\$ 76,090	76,090	76,090	76,090	76,090	380,451	380,451	304,361	1,445,713

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2007

3. Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis as authorized by Kansas Statutes. The City's operating transfers and statutory authority for December 31, 2007 were as follows:

<u>From</u>	<u>To</u>	<u>Authority</u>	<u>Amount</u>
General	Equipment Reserve	K.S.A. 12-1,117	\$ 35,500
General	Capital Improvements	K.S.A. 12-1,118	60,000
General	Airport Improvements	K.S.A. 12-1,117	21,100
Bond and Interest	General Fund	K.S.A. 79-2958	409
Water Utility	Water Improvement Project	K.S.A. 12-825d	25,514
			<u>\$ 142,523</u>

4. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the statutory basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Risk Management-Claims and Judgments

The City is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been able to obtain errors and omissions insurance at a cost it considered to be economically justifiable.

The City carries commercial insurance for all other risks of loss, including property, general liability, inland marine, crime, vehicle, and fidelity bond coverage.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. At December 31, 2007, the financial statements do not include liabilities for anticipated costs.

6. Litigation

The City is party to various legal proceedings such as foreclosure actions and tax appeals, which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the funds of the City.

7. Grants and Shared Revenues

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audits, is not believed to be material.

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2007

8. Comparative Data

Comparative data for the prior year has been presented in Statement 3 of the accompanying financial statements in order to provide an understanding of changes in the City's cash and unencumbered cash balances. However, complete comparative data (i.e., presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.